

Healthy Pennsylvania: Reforming Medicaid

Governor Tom Corbett's Vision: *Pennsylvanians should have increased access to quality, affordable health care.*

Pennsylvania Governor Tom Corbett believes that Pennsylvanians should have increased access to quality, affordable health care. The commonwealth is home to a robust, world class health care delivery system that has led the way nationally from covering children in the CHIP program to providing access to top physicians and hospitals. Additionally, the commonwealth has been a national leader in successfully harnessing commercial market innovation, which was demonstrated when the state implemented statewide managed care in the HealthChoices program. Governor Corbett believes that Pennsylvania will continue to be a leader through its pursuit of innovative reforms that prove to the nation that the best solutions are developed at the state and local level.

Governor Corbett's *Healthy Pennsylvania* vision focuses on three key priorities: Improving Access; Ensuring Quality; and Providing Affordability. *Healthy Pennsylvania* touches all areas of health care to encourage better care coordination for patients, providers and insurers. It is built upon common sense reforms that provide coverage options to our most vulnerable citizens in a flexible and sustainable way that protects taxpayers. *Healthy Pennsylvania* keeps Governor Corbett's commitment to providing a pathway to prosperity for all Pennsylvanians, reducing government bureaucracy, growing the private health care market and creating health care choices for consumers.

Helping Pennsylvanians Who Need It the Most

The Medicaid program in Pennsylvania represents a state-federal partnership in which the federal government provides matching funds to the commonwealth for the administration and coverage of primary, acute and long term care services. As it stands today, Pennsylvania taxpayers and the federal government spend approximately \$19 billion annually on Medicaid programs that play a critical role in serving approximately 2.2 million Pennsylvanians. The Medicaid population includes low-income parents and

families, children, persons with disabilities and older Pennsylvanians. As such, it is critical that we work to ensure the sustainability of this program to assure continued coverage and a safety net for these vulnerable populations.

While the existing Medicaid program is intended to serve as a health care safety net for our citizens, it does place an increasingly high burden on Pennsylvania taxpayers with hundreds of millions of dollars in new costs each year to maintain the existing program. Currently, one in six Pennsylvanians – over two million people -- are on Medicaid, and the costs now account for 27 percent of the entire general fund budget for the Commonwealth of Pennsylvania. In fact, Pennsylvania spends 34 percent more than the national average per Medicaid enrollee¹.

A core part of Governor Corbett's *Healthy Pennsylvania* vision includes a common sense, comprehensive approach to reforming Pennsylvania's existing Medicaid program in order to provide affordable, quality health care in a fiscally sustainable manner.

Healthy Pennsylvania will continue to provide critical care to Pennsylvania's children, disabled and older adults – while reforming the system. These reforms are critical not only to preserving the safety net, but also to providing a pathway to quality health care that promotes shared responsibility and greater independence for Pennsylvanians.

Governor Corbett's vision for achieving a healthier Pennsylvania is built on the following three core objectives:

1. **Reform Medicaid:** Reform Pennsylvania's Medicaid program for the 21st century – ensuring access to affordable, quality health care for the future in a sustainable manner for Pennsylvania taxpayers.
2. **Increase Access:** Increase access to affordable, quality health care for Pennsylvanians who need it the most, in a financially sustainable manner that includes utilizing the federal health insurance exchange.
3. **Stabilize Financing:** Provide a stable health care coverage financing structure through a reformed Medicaid program and provide opportunities to increase

¹ Source: Kaiser State Health Facts FY 2009

private coverage that ensures the provision of critical care to Pennsylvanians most in need and protects Pennsylvania taxpayers.

Now is the time for the commonwealth to embark on a road to health care transformation – because a healthy Pennsylvania is a stronger Pennsylvania. Maintaining the status quo is no longer an option if we endeavor to have a sustainable health care safety net for those Pennsylvanians most in need. It will take long-term system-wide improvements to achieve comprehensive reform of the existing program, increase access for low-income adults, and stabilize funding for the future of the program and Pennsylvania.

Core Objectives

I. Reform Medicaid

Reforming the existing Medicaid program includes:

- Simplification of 14 outdated, complex benefit designs,
- Improving personal accountability,
- Applying work search requirements and a link to job training opportunities
- Providing a safety net for the critical care for children, older Pennsylvanians and persons with disabilities,
- Improving access and quality of care, and
- Continually emphasizing the reduction of waste, fraud, and abuse in all facets of service delivery.

Benefit Design Reforms for Adults

In order to ensure that Pennsylvania can provide sustainable access to affordable, quality health care coverage into the future, we need to improve and reform our existing Medicaid infrastructure. This begins by simplifying the existing 14 adult benefit packages into two commercial-like alternative benefit packages. The adult benefit packages will be consistent with national standards for coverage including: essential health benefits; mental health parity; encouraging

preventive services including drug and alcohol services for adults. These benefit packages will be similar to those provided in the commercial market for working Pennsylvanians through their employers. The benefit package for children will not change.

In order to ensure Medicaid can function as intended, as the payer of last resort, it must be designed to work in conjunction with the private insurance market. Therefore, the commonwealth will promote access to commercial insurance by aligning Medicaid benefits with the health care benefits available in the commercial market to ensure greater continuity of coverage and facilitate, for persons who are able, the transition to private or employer based coverage. For these Medicaid reforms to be successful there must be a commitment by the federal government to work with the commonwealth to prevent further erosion of the private commercial health insurance market. The benefits will be based on a comprehensive analysis of existing Medicaid services for the existing adult population and finalized with the Department of Health and Human Services.

Improved Health Outcomes and Personal Responsibility

A cornerstone of *Healthy Pennsylvania* is the redesign of Medicaid to support Pennsylvanians in improving their health outcomes and achieving independence. Medicaid must continue to serve as a strong and effective safety net for Pennsylvanians in their time of need, and provide pathways toward greater prosperity for those who are able to work. Additionally, Medicaid beneficiaries should be actively engaged in their health care delivery and have a strong role in their own individual health outcomes – thereby increasing personal responsibility.

Currently, the Medicaid cost sharing structure does not provide positive incentives for healthy choices or personal responsibility. *Healthy Pennsylvania* emphasizes individual responsibility and improved health outcomes for the existing Medicaid adult population, similar to insurance coverage through the commercial market. *Healthy Pennsylvania* encourages individuals to visit their family doctor rather than using the Emergency Room (ER) through elimination of co-payments, with the exception of a \$10 dollar co-payment for inappropriate

use of ER services. Encouraging the use of primary health care practitioners and prevention services will lead to healthier lives.

By promoting healthy outcomes and personal responsibility, *Healthy Pennsylvania* will require individuals to pay a monthly premium based upon their income. Similar to commercial insurance, premiums will be at the individual level and the household [individual + 1 (non-child)] level. The monthly premiums will be structured in an upwards sliding scale of no more than \$25 (individual level) or \$35 (household level) at the maximum threshold of 133% of the federal poverty level (FPL). The premium contributions will begin above 50% FPL level (\$5,745 individual, \$7,755 household) and continue to 133% FPL (\$15,282 individual, \$20,628 household). The base premiums may be adjusted annually by an inflationary and medical trend factor and may exceed \$25 in the future.

The proposed cost sharing model allows individuals to reduce their monthly premium when they participate in health and wellness appointments and actively engage in job search and training programs. The Corbett administration believes that by reducing premiums for achieving healthy outcomes, individuals will be encouraged to work towards improving their health.

To assist Pennsylvanians in achieving independence, *Healthy Pennsylvania* requires work search and linkages to job training for all unemployed, working-age Medicaid beneficiaries, with limited exceptions. As part of this effort, the Departments of Public Welfare (DPW) and Labor and Industry (L&I) will work together to provide important linkages to work search and job training. One key element of this approach is Pennsylvania's JobGatewaySM program, a facet of the DPW's partnership with the Department of Labor and Industry's CareerLink[®]. JobGatewaySM is free to both job seekers and employers. After a simple registration process is completed, people looking for work have access to a number of features unique to JobGatewaySM:

- Automatic job openings based on individual preferences
- A dashboard that makes it easy to track and manage job applications

- PA Career Coaches, a career exploration tool with valuable employment data such as estimated earnings and local educational programs to help prepare for a specific occupation

JobGatewaySM provides individuals in Medicaid, who are not already working full time, with opportunities to seamlessly access multiple job resources from a single location. This and other resources available through CareerLink[®] will provide tremendous opportunities for Medicaid recipients looking to find jobs and become more self-sufficient. All working-age, unemployed Medicaid beneficiaries will be required to register with JobGatewaySM and engage in a meaningful work search similar to the current requirements for those receiving unemployment compensation. They will then be able to participate in job training activities. We know that individuals who are gainfully employed are healthier. To further encourage healthy behaviors, individuals' monthly premiums will be reduced when they actively engage in wellness activities and in work search and job training activities.

Job Seekers can participate in job training activities provided by the PA CareerLink[®] system with core services accessible online or in person at one of 66 locations. All of the PA CareerLink[®] system partners maintain a "no wrong door approach", providing customers information and referral to other partner programs that will assist individuals to become gainfully employed

II. Increase Access

Pennsylvania seeks to use market competition and alternatives to provide increased access to health care for more Pennsylvanians. There are many Pennsylvanians who currently are working but are without access to health care coverage. Many of these individuals are working two or more jobs and would greatly benefit from not only having access to health care coverage, but also access to an increased choice of providers.

If the federal government grants Pennsylvania the ability to reform the existing program, the commonwealth would be positioned to increase access to health care coverage to approximately 520,000 uninsured adults up to 133 percent of the federal poverty level (FPL) through the federal health insurance exchange. If Pennsylvania is allowed to reform the Medicaid program, the commonwealth proposes the following for consideration by the federal government:

- Implementation of a private option program for uninsured individuals currently not eligible for Medicaid and have incomes between 0 – 133 percent of the FPL. Through this private option, individuals would be able to go to the federal health insurance exchange to purchase private market health insurance.

Under the private option for health care coverage, any individuals who are determined to be medically frail would have the option to continue to be served in the Medicaid program and not go to the federal exchange for coverage. Pennsylvania is considering and discussion is needed around the federal regulatory definition of medically frail, which reads as a condition based upon one or more of the following:

- 1) Disabling mental disorder;
- 2) A chronic substance abuse disorder;
- 3) Serious and complex medical condition;
- 4) Physical, intellectual, or developmental disability that significantly impairs the individual's ability to perform one or more activities of daily living; or
- 5) A determination of disability based on Social Security Administration criteria.

Examples of individuals who would be deemed medically frail for a mental disorder include individuals with Schizophrenia related disorders, Major Depression, Bipolar Disorder and severe forms of anxiety disorder such as Panic Disorder and Obsessive Compulsive Disorder. Examples of individuals would be deemed medically frail for a serious and complex medical condition include

those with chronic conditions such as diabetes, liver or kidney disease, and chronic obstructive pulmonary disease (COPD).

This approach would provide an innovative mechanism to improve access to health coverage. Churn between health care providers places additional hardship upon families who are seeking stability in their lives. The private option provides the opportunity for children and families to receive health care coverage from the same Qualified Health Plan (QHP). Additionally, Pennsylvania's private option provides an easy to understand seamless approach for families to receive commercial insurance. Pennsylvania's approach provides for stability in health care coverage that allows families to focus their energies on improving their health and seeking meaningful employment opportunities.

A leader in health care innovation, the commonwealth will continue to work with the Centers for Medicare and Medicaid Services (CMS) to identify QHPs that would provide reasonable premiums for Pennsylvanians. This would include Medicaid Managed Care Organizations participation in the federal health insurance exchange. Additionally, Pennsylvania anticipates approximately 520,000² newly eligible individuals could be enrolled through the private option, including the General Assistance non-medically frail population.

Similar to the cost-sharing requirement of the reformed Medicaid approach discussed earlier, the private option would require individuals to pay a monthly premium based on their income, allow individuals to reduce their monthly premium when they participate in health and wellness appointments and actively engage in job search and training programs. Pennsylvania believes that by reducing premiums for achieving healthy outcomes, individuals in the private option program would be encouraged to work towards improving their health. Through the use of a market-based commercial insurance approach, Pennsylvania believes that market competition and alternatives to the existing

² 520,000 represent the number of individuals anticipated to be enrolled in the private option. An additional 90,000 individuals are anticipated to be medically frail and enrolled in the existing Medicaid program.

Medicaid program would provide a seamless transition from the private option to employer-based coverage.

III. Stabilize Financing

In order to provide quality health care services to Pennsylvania's most vulnerable citizens, Pennsylvania must transform its Medicaid program to be sustainable with manageable expenditures and measurable outcomes. The costs of the current Medicaid program in Pennsylvania have continued to grow and require substantial new state revenue. As in years past, these costs are projected to grow by over \$400 million in fiscal year 2013-2014. This cost growth does not include additional costs that the state may incur as a result of the Affordable Care Act (ACA).

While Medicaid provides critical health care to millions of Pennsylvanians, its continued annual growth places an increased strain and burden on the taxpayers of Pennsylvania and makes it increasingly difficult to meet the needs of other critical program areas, such as education. As part of *Healthy Pennsylvania*, Pennsylvania must ensure that it develops public financing strategies that maximize allowable federal participation and align emerging care delivery strategies with financing structures. To that extent, the following elements are critical to the success of *Healthy Pennsylvania*:

- Use of competitive and value-based purchasing;
- Commitment to sustain existing federal funding streams; and
- Continued emphasis on reduction of waste, fraud and abuse.

Use of Competitive and Value-based Purchasing

Through *Healthy Pennsylvania*, the commonwealth would bring together all relevant stakeholders including consumers, physical and behavioral health care providers, commercial insurers, business leaders and other stakeholders to design new payment and delivery models for health care services in Pennsylvania. By focusing on the quality of care provided rather than how much

is provided, we can move Pennsylvania to a patient-centered, evidence-based care delivery system that improves patient outcomes. This would empower consumers, employers, and insurers to purchase health care coverage based on value and quality in order to improve the health of Pennsylvanians and control the escalating costs of health care.

As stated, Pennsylvania recognizes the need to continually improve quality within our health care delivery system. The commonwealth will utilize the federal State Innovation Model (SIM) Design grant as an additional opportunity to plan and build upon current private and public sector payer and provider initiatives to advance new care delivery models and payment methodologies. SIM is focused on the following three priorities:

- Testing new payment and service delivery models;
- Evaluating results and advancing best practices; and
- Engaging a broad range of stakeholders to develop additional models for testing.

Recognizing that health care will continue to evolve, Pennsylvania will seek to promote an environment that permits the development of innovative insurance coverage and shared savings that reward wellness and healthy behaviors. This direction continues to reinforce Governor Corbett's vision of providing affordable, quality health care to all Pennsylvanians.

Commitment to Sustain Existing Federal Funding Streams

To ensure sustainability, Pennsylvania needs a commitment from the federal government to continue both current and future federal funding. As the Medicaid program is a federal – state partnership, the federal government must maintain at a minimum, the federal participation levels set forth in the ACA. Failure of the federal government to keep this commitment would result in the loss of health care coverage for hundreds of thousands of low income Pennsylvanians.

Additionally, Pennsylvania funding relies on several assessment programs that provide additional federal revenues to fund our existing programs. Our ability to provide quality health care to low income Pennsylvanians will rely on a commitment from the federal government to maintain without change or disruption the existing assessment programs.

If the federal funding is not provided at the levels and time periods as set forth in the ACA, Pennsylvania will notify participants in the private option that the coverage will no longer be funded through the commonwealth.

Continued Emphasis on Reduction of Waste, Fraud and Abuse

Pennsylvania understands the critical importance in maintaining oversight and monitoring of taxpayer resources in delivering services. During fiscal year 2012-2013, the Commonwealth recovered over \$265 million in taxpayer funding from our recovery initiatives and has diligently implemented process improvements and enhanced existing program integrity efforts. To ensure ongoing program integrity, Pennsylvania will use predictive modeling, increase the number of audits completed, implement policy changes, and act on credible allegations of fraud and abuse to deliver a sustainable system for all taxpayers. Additionally, Pennsylvania will continue to focus on improving the quality of care and health outcomes.

In Summary

Improving and increasing access to quality, affordable health care for all Pennsylvanians must be one of our top priorities. *Healthy Pennsylvania* lays out a plan that ensures access, helps Pennsylvanians move toward greater prosperity and protects taxpayers and the financial future of the commonwealth. Grounded in coordination and collaboration, Governor Corbett's *Healthy Pennsylvania* lays out a vision for a reformed system that works for all citizens of the commonwealth. Pennsylvania looks forward to working with the Department of Health and Human Services and with the Centers for Medicare and Medicaid Services to discuss reforms and common sense changes that will increase access for more Pennsylvanians. This change requires a comprehensive view not only of the existing program, but also requires financial stabilization of the

program in future years. Governor Corbett welcomes the opportunity to continue the dialogue and plan for the future of our health care safety net in Pennsylvania.

To provide feedback on the plan to reform Medicaid as part of the *Healthy Pennsylvania* plan, please submit comments electronically to: (RA-PWHealthyPA@pa.gov) or to submit written comments, send to:

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